

State of Colorado



Bill Owens
Governor

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December 19, 2005

Honorable Bill Owens
Governor of Colorado
136 State Capitol Building
Denver, Colorado 80203

Honorable Representative Tom Plant
Chair, Joint Budget Committee
Colorado General Assembly
200 East 14th Avenue
Denver, Colorado 80203

Dear Governor Owens and Representative Plant,

In accordance with the Total Compensation Reform Act, and based on my review of more recent data and consultation with staff, I have prepared a brief summary of the updated results of our annual compensation survey. The complete update is attached hereto. With the addition of four recent third-party surveys, the overall difference in average structure movement from the August 2005 report is very minor (-0.17%). My staff also used the more recent Employment Cost Index that was slightly lower than the one used in the earlier report. The table below summarizes the updated findings.

Occupational Group	Updated Average Midpoint Movement	Total State Classified Employees
Enforcement & Protective Services *	2.6%	6066
Financial Services	2.0%	1748
Health Care Services (and Medical)	3.7%	3522
Labor, Trades, & Crafts	1.2%	5263
Administrative Support & Related	2.2%	4737
Professional Services (and Teachers)	2.7%	8309
Physical Sciences & Engineering	2.0%	1935
Overall Weighted Average	2.49%	

* Because the Trooper classes have a separate statutory requirement, their pay ranges should be adjusted by 5.1% and their average salaries increased by 7.2%, subject to the range maximum, to meet that requirement.

One of the items included in my August 2005 report was the need to change the pay grades of several classes in the state personnel system separate from the survey structure adjustments. One of those, the Criminal Investigator class series, was recommended for decreases. Upon the request of several departments, we agreed to verify the pay grade reductions for the criminal investigator classes. My staff conducted a direct survey of other states' pay relationships for these classes and concluded that the decreases should be less than originally proposed. We intend to only reduce the pay grades for the lowest two levels in these classes and leave the remaining criminal investigator classes at their current pay grades.

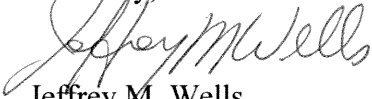
I remain committed to our strategic goal of reaching the prevailing contribution levels for our employees' health, dental, and life benefit programs and request your continued support to reach our interim goal of funding the state's contributions to these benefits at 75% of prevailing levels. The following table shows the finalized increase in state contributions for the next fiscal year.

	Health		Dental		Life	
	Current	75% Market	Current	75% Market	Current	75% Market
Employee	\$190.20	\$244.12	\$14.90	\$18.88	\$4.68	\$8.04
Employee + Spouse	\$333.96	\$412.58	\$18.38	\$27.96		
Employee + Child(ren)	\$322.32	\$381.48	\$19.78	\$31.72		
Employee + Spouse + Children	\$460.26	\$567.42	\$23.12	\$41.40		

One last thought, I specifically request that the General Assembly not apply any salary increase as a strict across-the-board percentage, as was done last fiscal year. That method of salary distribution cannot take into account the myriad of structural and range adjustment factors necessary to ensure sound salary management practices into the future. If the General Assembly needs to target a specific number, it would be preferable for you to adopt the number and allow us the flexibility to apply it throughout the nine occupational groups while taking into account all of these relevant structural and performance factors.

These updated findings are provided so that you have the latest labor market information available to assist us in meeting our statutory obligations to state employees.

Sincerely,


 Jeffrey M. Wells
 Executive Director

Attachment: Dec 2005 Supplement to the 2006-2007 Annual Compensation Report
 cc: State Legislators, Cabinet Members and Higher Education Presidents

SUPPLEMENT TO THE 2006-2007 ANNUAL COMPENSATION REPORT

December 2005 (corrected 12/22/05)

In conducting the annual compensation survey through June 2005 to meet the statutory deadline of August 1 for the annual report and the State Personnel Director's recommendations, some third-party surveys are not yet available. As a result, the Department of Personnel & Administration adopted the practice of updating the survey analyses when new market information becomes available in the Fall. This supplement updates to the information in the 2006-2007 Annual Compensation Report as follows.

1. Four more MSEC surveys were available by November 2005: Information Technology, Long Term Care, Western Slope, and Summer Health Care.
2. The most current Employment Cost Index (ECI) as of September 2005, which was published in October. This most recent ECI is reported as 2.29%, slightly lower than the 2.49% ECI (March 2005 quarterly report) used in the August 1 report.

For the salary pay structure findings, the updated data analysis shows a 0.17% decrease (2.66% on August 1, 2005, to 2.49% in this update) in pay structure movement. The changes in occupational pay range movements are summarized in the following table.

	8/1/05 Movement	12/1/05 Movement	Difference
ENFORCEMENT & PROTECTIVE SERVICES	3.2%	2.6%	-0.6%
TROOPER STRUCTURE	5.1%	5.1%	0.0%
TROOPER SALARIES	6.0%	7.2%	1.2%
FINANCIAL SERVICES	1.1%	2.0%	0.9%
HEALTH CARE SERVICES	4.2%	3.7%	-0.5%
MEDICAL SERVICES	4.2%*	3.7%*	-0.5%
LABOR, TRADES & CRAFTS	1.6%	1.2%	-0.4%
ADMINISTRATIVE SUPPORT & RELATED	2.4%	2.2%	-0.2%
PROFESSIONAL SERVICES	2.2%	2.7%	0.5%
PHYSICAL SCIENCES & ENGINEERING	1.6%	2.0%	0.4%
TEACHERS	2.2%*	2.7%*	0.5%
OVERALL WEIGHTED AVERAGE	2.66%	2.49%	-0.17%

* Health Care Services recommendation is applied to the Medical group due to lack of market data for the Medical group; the Professional Services recommendation is applied to the Teacher group for a similar reason. SES positions are part of Professional Services but SES positions' salary adjustments are determined by annual individual performance contracts.

It should be noted that the salary increase portion of the recommendation for Troopers is not due to a change in the market data, as reflected by the unchanged recommendation for the pay structure. Instead, it is driven by the change in the State's actual average salary from the time the report was prepared to this update. The State's average salary decreased when 24 employees were brought into the Trooper class. Two Cadet Academy classes are conducted each year and upon graduation, the Cadets promote to the Trooper class. The influx of a large number of Cadets with a lower average salary (\$3771) significantly lowered the average salary of the Trooper class when updating the calculations in November. Using November's lower average salary for the State's Trooper class in comparison to the unchanged market data results in a greater difference between market and State actual average salaries. Therefore, an additional

increase is recommended in order to comply with the statutory mandate regarding actual salary increases at a specified level with market (at least 99%).

The recommendation to adjust the grades for the Criminal Investigator class series has changed from what was published in the August 1 report (Appendix C) and is reflected below.

Class Title	Class code	Current Grade	August Recommendation	Updated December Recommendation
Criminal Investigator Intern	A2A1IX	A32	A27	A30
Criminal Investigator I	A2A2TX	A38	A33	A36
Criminal Investigator II	A2A3XX	A44	A39	A44
Criminal Investigator III	A2A4XX	A50	A45	A50
Criminal Investigator IV	A2A5XX	A52	A47	A52

The Colorado market data shows the Criminal Investigator I to be higher than the market by an average of 13.5% over a period of several years, which resulted in the recommendation to adjust the grades downward for this class series. Verification of the survey data and matches indicates that the use of the local market continues to be valid. However, as an additional step, a pay relationship analysis was conducted with other states and the local market. This study revealed that Colorado's pay relationship is 6.5% above the relationship found in the market. By making a one-time adjustment to the pay relationship for the series to be comparable to other states, the Criminal Investigator Intern and I are recommended for a downward adjustment of two pay grades (5%). By reducing the Criminal Investigator I grade and making no changes to the II, III, and IV levels, the supervisory pay differential within the series is widened, which corresponds with other EPS class series. In summary, the annual survey sources remain valid for determining market movement from one year to the next. The one-time realignment of the pay relationships mitigates the initial recommendations as shown above.